

ARTICLE VIII
COLLATERAL SECURITY

SECTION 8.01. COLLATERAL SECURITY. (a) To secure payment and performance of all of the Obligations, each of KMC III, Leasing III, Telecom.com and Services hereby grants, and each of the other Borrowers hereby reaffirms, grants and hereby regrants, to the Collateral Agent for the benefit of the Collateral Agent, the Agent and the Lenders, to the extent permitted by law, a right of setoff against and a continuing security interest in and to all of such Borrower's tangible and intangible personal property, fixtures and real property leasehold and easement interests, whether now owned or existing, or hereafter acquired or arising, wheresoever located, including, without limitation, all of the following property, or interests in property: (a) all machinery, equipment, Telecommunications Equipment and fixtures, including without limitation, fiber optic and other cables, transmission and switching equipment, transmission facilities, connection equipment, conduit, carrier pipes, junctions, regenerators, power sources, alarm systems, electronics, structures and shelters and cable laying equipment; (b) all Accounts, accounts receivable, other receivables, contract rights, leases, chattel paper, investment property, and general intangibles of such Borrower (including, without limitation, goodwill, going concern value, patents, trademarks, trade names, service marks, blueprints, designs, product lines and research and development), including, without limitation, all of such Borrower's rights under all present and future Governmental Approvals, permits, licenses and franchises heretofore or hereafter granted to such Borrower for the operation and ownership of its Systems (excluding licenses and permits issued by the FCC, any PUC or any other Governmental Authority to the extent, and only to the extent, it is unlawful to grant a security interest in such licenses and permits, but including, to the maximum extent permitted by law, all rights incident or appurtenant to such licenses and permits, including, without limitation, the right to receive all proceeds derived from or in connection with the sale, assignment or transfer of such licenses and permits), whether now owned or hereafter acquired by such Borrower, or in which such Borrower may now have or hereafter acquire an interest; (c) all instruments, letters of credit, documents of title, policies and certificates of insurance, securities, bank deposits, deposit accounts (including such Borrower's Collection Accounts), checking accounts and cash now or hereafter owned by such Borrower, or in which such Borrower may now have or hereafter acquire an interest; (d) all inventory, including all merchandise, raw materials, work in process, finished goods and supplies, now or hereafter owned by such Borrower or in which such Borrower may now have or hereafter acquire an interest; (e) all of such Borrower's leasehold interest in any real property, all of such Borrower's licenses, easements and rights of way with respect to real property; (f) all accessions, additions or improvements to, substitutions

80

for and all proceeds and products of, all of the foregoing, including proceeds of insurance; and (g) all books, records, documents, computer tapes and discs relating to all of the foregoing.

SECTION 8.02. PRESERVATION OF COLLATERAL AND PERFECTION OF SECURITY INTERESTS THEREIN. Such Borrower shall execute and deliver to the Collateral Agent for the benefit of the Collateral Agent, the Agent and the Lenders, prior to the Closing Date, and at any time or times thereafter at the request of the Collateral Agent, all financing statements or other documents (and pay the cost of filing or recording the same in all public offices deemed necessary by the Collateral Agent), as the Collateral Agent may request, in a form satisfactory to the Collateral Agent, to perfect and keep perfected the security interest in the Collateral granted by such Borrower to the Collateral Agent or to otherwise protect and preserve the Collateral and the Collateral Agent's security interest therein or to enforce the Collateral Agent's security interest in the Collateral. Should such Borrower fail to do so, the Collateral Agent is authorized to sign any such financing statements as such Borrower's agent. Such Borrower further agrees that a carbon, photographic or other reproduction of this Agreement or of a financing statement is sufficient as a financing statement.

SECTION 8.03. APPOINTMENT OF THE COLLATERAL AGENT AS THE BORROWERS' ATTORNEY-IN-FACT. Such Borrower hereby irrevocably designates, makes, constitutes and appoints the Collateral Agent (and all persons designated by the Collateral Agent) as such Borrower's true and lawful attorney-in-fact, and authorizes the Collateral Agent, in such Borrower's or the Collateral Agent's name, to, following the occurrence and during the continuance of an Event of Default: (i) demand payment of such Borrower's Accounts; (ii) enforce payment of such Borrower's Accounts by legal proceedings or otherwise; (iii) exercise all of such Borrower's rights and remedies with respect to proceedings brought to collect an Account; (iv) sell or assign any Account upon such terms, for such amount and at such time or times as the Collateral Agent deems advisable; (v) settle, adjust, compromise, extend or renew an Account; (vi) discharge and release any Account; (vii) prepare, file and sign such Borrower's name on any proof of claim in bankruptcy or other similar document against an account debtor of such Borrower; (viii) notify the post office authorities to change the address for delivery of such Borrower's mail to an address designated by the Collateral Agent, and open and deal with all mail addressed to such Borrower; (ix) do all acts and things which are necessary, in the Collateral Agent's sole discretion, to fulfill such Borrower's obligations under this Agreement; (x) take control in any manner of any item of payment or proceeds thereof; (xi) have access to any lockbox or postal box into which such Borrower's mail is deposited; (xii) endorse such Borrower's name upon any items of payment or proceeds thereof and deposit the same in the Collateral Agent's account on account of the Obligations; (xiii) endorse such Borrower's name upon any chattel paper, document, instrument, invoice, or similar document or agreement relating to any Account or any goods pertaining thereto; and (xiv) sign such Borrower's name on any verification of Accounts and notices thereof to account debtors.

SECTION 8.04. COLLECTION OF ACCOUNTS AND RESTRICTED ACCOUNT Arrangements. Such Borrower hereby represents and warrants that each depository account ("COLLECTION ACCOUNT") now maintained by such Borrower at any bank ("COLLECTION AGENT") for the collection of checks and cash constituting proceeds

81

of Accounts and sales of other personal property which are part of the Collateral is identified on SCHEDULE 8.04 attached hereto and made a part hereof. With respect to each Collection Account, such Borrower shall, no later than the Closing Date, deliver (to the extent not previously delivered pursuant to the Existing Agreement) to the Collateral Agent, a "RESTRICTED ACCOUNT AGREEMENT" substantially in the form of EXHIBIT N attached hereto and made a part hereof, duly executed and delivered by such Borrower and the applicable Collection Agent, authorizing and directing such Collection Agent, upon receipt of written notice from the Collateral Agent that an Event of Default has occurred and is continuing, to deposit all checks and cash received into a restricted account (a "RESTRICTED ACCOUNT") and remit all amounts deposited in such Restricted Account to the Collateral Agent's account specified in such Restricted Account Agreement until such time as the Collection Agent receives written notice from the Collateral Agent rescinding such instruction. Such Borrower shall, following the occurrence and during the continuance of an Event of Default and any subsequent request by the Collateral Agent therefor, take such further action as the Collateral Agent may reasonably deem desirable to effect the transfer of exclusive ownership and control of the Restricted Accounts and all Collection Accounts to the Collateral Agent. Until all of the Obligations have been indefeasibly paid in full, such Borrower agrees not to enter into any agreement or execute and deliver any direction which would modify, impair or adversely affect the rights and benefits of the Collateral Agent under any Restricted Account Agreement. Such Borrower shall not open, establish or maintain any Collection Account (other than those identified on SCHEDULE 8.04 hereto) without first having delivered to the Collateral Agent a duly executed and delivered Restricted Account Agreement with respect to such Collection Account. Such Borrower shall notify the Collateral Agent in writing not less than five (5) days prior to the date it shall open or establish any Collection Account other than an account described on SCHEDULE 8.04 hereto.

SECTION 8.05. CURE RIGHTS. Such Borrower expressly authorizes the Collateral Agent, and the Collateral Agent may, but shall not be required to, at any time and from time to time, to take any and all action that it reasonably determines to be necessary or desirable to cure any default or violation

(including a payment default) of such Borrower in connection with any real estate lease, license agreement, Governmental Approval or any other material lease, agreement or contract entered into with respect to the Systems.

ARTICLE IX
EVENTS OF DEFAULT; REMEDIES

SECTION 9.01. EVENTS OF DEFAULT. The following events shall each constitute an "EVENT OF DEFAULT":

(a) Any Borrower shall fail to pay the principal of or interest on its Notes or any other amounts payable hereunder or under any of the other Loan Documents when due, whether as scheduled, at a date fixed for prepayment, by acceleration or otherwise, and five (5) Business Days shall have elapsed; or

82

(b) Any Borrower shall fail to observe or perform any other covenant, condition or agreement to be observed or performed by such Borrower in any of the Loan Documents, and such Borrower fails to cure such breach within ten (10) Business Days after written notice thereof unless the breach relates to a covenant contained in SECTIONS 5.04, or ARTICLE VI (other than SECTION 6.05 or SECTION 6.07) or VII, in which case no notice or grace period shall apply, or unless the breach relates to SECTION 5.06, in which case an Event of Default shall occur on the thirtieth day following the breach without any notice requirement, unless the breach shall have been cured before such date; or

(c) Any representation or warranty made by any Borrower or KMC Holdings in connection with this Agreement or any other Loan Document, or the Loans or any statement or representation made in any report, certificate, financial statement or other instrument furnished by or on behalf of such Borrower or KMC Holdings pursuant to this Agreement or any other Loan Document, shall prove to have been false or misleading in any material respect when made or delivered or when deemed made in accordance with the terms hereof or thereof; or

(d) Any Borrower or KMC Holdings shall fail to make any payment due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) on any other obligation for borrowed money in excess of \$250,000 with respect to any Borrower or in excess of \$1,000,000 with respect to KMC Holdings, and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such indebtedness; or any other default or event under any agreement or instrument relating to any indebtedness for borrowed money in excess of \$250,000 with respect to any Borrower or in excess of \$1,000,000 with respect to KMC Holdings, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such indebtedness in excess of \$250,000 with respect to any Borrower or in excess of \$1,000,000 with respect to KMC Holdings; or any such indebtedness in excess of \$250,000 with respect to any Borrower or in excess of \$1,000,000 with respect to KMC Holdings shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled required prepayment) prior to the stated maturity thereof; or

(e) Any Borrower or KMC Holdings shall (i) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such Borrower or KMC Holdings or for a substantial part of its property, (ii) make a general assignment for the benefit of creditors, (iii) become unable, or admit in writing its inability, to pay its debts as they become due, (iv) voluntarily or involuntarily dissolve, liquidate or wind up its affairs, or (v) take action for the purpose of effecting any of the foregoing; or

(f) a proceeding under any bankruptcy, reorganization, arrangement of debts, insolvency or receivership law is filed by or against any Borrower or KMC Holdings, or any Borrower or KMC Holdings takes any action to authorize any of the foregoing matters, and in the case of any such proceeding instituted against any Borrower or KMC Holdings (but not instituted by any Borrower or KMC Holdings), either such proceeding shall remain undismissed or unstayed for a period of 60 days or any of the actions sought in such proceeding (including,

without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee or other similar official for any Borrower or KMC

83

Holdings or any substantial part of its property) shall be granted or shall occur; or

(g) a Termination Event occurs which the Requisite Lenders in good faith believe would subject any Borrower to a material liability; or

(h) the plan administrator of any Plan applies under Section 412(d) of the IRC for a waiver of the minimum funding standards of Section 412(a) of the IRC and the Requisite Lenders in good faith believe that the approval of such waiver could subject any Borrower or any ERISA Affiliate to material liability; or

(i) any of the Governmental Approvals or any other license, Governmental Approval or other governmental consent or approval necessary for the continuing operation of any Borrower or any System or any other material Governmental Approval or approval of or material filing with the FCC, any PUC or any other Governmental Authority with respect to the conduct by any Borrower of its business and operations, including its Business, shall not be obtained or shall cease to be in full force and effect, which in respect of any of the Governmental Approvals shall, in the case of an order of the FCC, any PUC or other Governmental Authority having jurisdiction with respect thereto, revoking, or deciding not to renew, any such Governmental Approval, occur upon the issuance of such order, and, in the case of any other order revoking or terminating any of the Governmental Approvals or deciding not to renew such Governmental Approvals prior to the termination thereof, occur when such order becomes final, and in each case, such event is also reasonably likely to result in a Material Adverse Effect; or

(j) the FCC, any PUC or any other Governmental Authority, by final order, determines that the existence or performance of this Agreement or any other Loan Document will result in a revocation, suspension or material adverse modification of any of the Governmental Approvals for any System, and such determination is reasonably likely to result in a Material Adverse Effect; or

(k) for any reason any Loan Document shall not be in full force and effect or shall not be enforceable in accordance with its terms, or any security interest or lien granted pursuant thereto with respect to Collateral having an aggregate value of \$500,000 or greater shall fail to be perfected or to have its intended priority, or any Borrower or any Affiliate thereof shall contest the validity of any Lien granted under, or shall disaffirm its obligations under any Loan Document; or

(l) any Borrower shall default under any Lucent Purchase Agreement or Additional Purchase Agreement, which default shall not have been cured or waived within the applicable grace period thereunder unless such Borrower is contesting such default in good faith by appropriate protest or proceedings and shall have set aside adequate reserves in accordance with GAAP; or

(m) for any reason, any Borrower ceases to operate any System or ceases to own any of its Governmental Approvals necessary for the continuing operation of any System, and such cessation is reasonably likely to result in a Material Adverse Effect; or

84

(n) a judgment or judgments for the payment of money in excess of \$250,000 individually or \$500,000 in the aggregate at any one time shall have been rendered against any Borrower and the same shall have remained unsatisfied and in effect for any period of sixty (60) days during which no stay of execution shall have been obtained; or

(o) any Borrower is enjoined, restrained or in any way prevented by the order of any court or administrative or regulatory agency from conducting

its business in any material respect with respect to any one or more of its Systems and such event is reasonably likely to result in a Material Adverse Effect; or

(p) any Borrower becomes subject to any liabilities, costs, expenses, damages, fines or penalties which could reasonably be expected to have a Material Adverse Effect arising out of or related to (i) any Remedial Action in response to a Release or threatened Release at any location of any Contaminant into the indoor or outdoor environment or (ii) any material violation of any Environmental Law; or

(q) a Change of Control shall occur; or

(r) KMC Holdings shall fail to observe or perform any covenant, condition or agreement to be observed or performed by KMC Holdings in the KMC Holdings Guaranty or in the Pledge Agreement executed and delivered by it in favor of the Collateral Agent; or

(s) any Borrower shall fail to observe or perform any covenant, condition or agreement to be observed or performed by such Borrower in any material agreement (other than a Loan Document or an agreement referred to in SECTION 9.01(d)), such Borrower fails to cure such breach within ten (10) Business Days after written notice thereof, and such failure is reasonably likely to result in a Material Adverse Effect, unless such Borrower is contesting such covenant, condition or agreement by appropriate protest or proceedings and shall have set aside adequate reserves in accordance with GAAP.

SECTION 9.02. TERMINATION OF COMMITMENT; ACCELERATION. Upon the occurrence and at any time during the continuance of any Event of Default, the Agent shall upon direction from the Requisite Lenders:

(a) by notice to the Borrowers, terminate Lenders' Commitment to make Loans hereunder; or

(b) by notice to the Borrowers, declare the Obligations to be immediately due and payable, whereupon all the Obligations shall be immediately due and payable without further notice of any kind, PROVIDED, HOWEVER, that if an Event of Default described in SECTION 9.01(f) shall exist or occur, all of the Obligations shall automatically, without declaration or notice of any kind, be immediately due and payable and the Commitment shall be automatically terminated.

SECTION 9.03. WAIVERS. Demand, presentment, protest and notices of nonpayment, protest, dishonor and acceptance are hereby waived by each Borrower. Each Borrower also waives the benefit of all valuation, appraisal and exemption

85

laws and the posting of any bond required of the Collateral Agent, the Agent or any Lender in connection with any judicial process to realize on the Collateral, to enforce any judgment or other court order entered in favor of the Collateral Agent, the Agent or any Lender or to enforce by specific performance, temporary restraining order, or preliminary or permanent injunction, this Agreement or any other Loan Documents. Each Borrower waives the right, if any, to the benefit of, or to direct the application of, any Collateral. Each Borrower hereby acknowledges that none of the Collateral Agent, the Agent or any Lender has any obligation to resort to any Collateral or make claim against any other Person before seeking payment or performance from any Borrower.

SECTION 9.04. RIGHTS AND REMEDIES GENERALLY. If an Event of Default occurs and is continuing, the Agent and the Collateral Agent shall have, in addition to any other rights and remedies contained in this Agreement or in any of the other Loan Documents, all of the rights and remedies of a secured party under the Code or other applicable laws, all of which rights and remedies shall be cumulative, and none exclusive, to the extent permitted by law. In addition to all such rights and remedies, the sale, lease or other disposition of the Collateral, or any part thereof, by the Collateral Agent or the Agent after the occurrence of an Event of Default may be for cash, credit or any combination thereof, and the Collateral Agent or the Agent may purchase all or any part of

the Collateral at public or, if permitted by law, private sale, and in lieu of actual payment of such purchase price, may set off the amount of such purchase price against the Obligations then owing. Any sales of the Collateral may be adjourned from time to time with or without notice. The Agent or the Collateral Agent, may, in its sole discretion, cause the Collateral to remain on the premises of any Borrower, at the expense of the Borrowers, pending sale or other disposition of the Collateral. The Agent or the Collateral Agent shall have the right to conduct such sales on the premises of any Borrower, at the expense of the Borrowers, or elsewhere, on such occasion or occasions as it may see fit.

SECTION 9.05. ENTRY UPON PREMISES AND ACCESS TO INFORMATION. If an Event of Default occurs and is continuing, the Agent and the Collateral Agent shall have the right to enter upon the premises of any Borrower where any Collateral is located (or is believed to be located) without any obligation to pay rent to such Borrower, or any other place or places where the Collateral is believed to be located and kept, and render the Collateral unusable or remove the Collateral therefrom to the premises of the Agent or the Collateral Agent or any agent of the Agent or the Collateral Agent, for such time as the Agent or the Collateral Agent may desire, in order effectively to collect or liquidate the Collateral, and/or the Agent or the Collateral Agent may require any Borrower to assemble the Collateral and make it available to the Agent or the Collateral Agent at a place or places to be designated by the Agent or the Collateral Agent. If an Event of Default occurs and is continuing, the Agent or the Collateral Agent shall have the right to obtain access to any Borrower's data processing equipment, computer hardware and software relating to the Collateral and to use all of the foregoing and the information contained therein in any manner the Agent or the Collateral Agent deems appropriate.

SECTION 9.06. SALE OR OTHER DISPOSITION OF COLLATERAL BY THE AGENT. Any notice required to be given by the Agent or the Collateral Agent of a sale, lease or other disposition or other intended action by the Agent or the Collateral Agent with respect to any of the Collateral which is deposited in the United States mails, registered or certified, postage prepaid and duly addressed to the Borrowers at the address specified in SECTION 11.01 below, at least ten

86

days prior to such proposed action shall constitute fair and reasonable notice to the Borrowers of any such action. The net proceeds realized by the Agent or the Collateral Agent upon any such sale or other disposition, after deduction for the expense of retaking, holding, preparing for sale, selling or the like and the reasonable attorneys' fees and legal expenses incurred by the Agent or the Collateral Agent in connection therewith, shall be applied as provided herein toward satisfaction of the Obligations. The Agent or the Collateral Agent, as applicable, shall account to the Borrowers for any surplus realized upon such sale or other disposition, and the Borrowers shall remain liable for any deficiency. The commencement of any action, legal or equitable, or the rendering of any judgment or decree for any deficiency shall not affect the Collateral Agent's security interest in the Collateral. The Borrowers agree that the Collateral Agent has no obligation to preserve rights to the Collateral against any other parties. The Agent and the Collateral Agent are hereby granted a license or other right to use, without charge, the Borrowers' labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks and advertising matter, or any property of a similar nature, as it pertains to the Collateral, and the Borrowers' rights under all licenses and all franchise agreements shall inure to the Agent's and the Collateral Agent's benefit until the Obligations are paid in full.

SECTION 9.07. GOVERNMENTAL APPROVALS. In connection with the enforcement by the Agent or the Collateral Agent of any remedies available to it as a result of any Event of Default, each Borrower agrees that it shall join and cooperate fully with, at the request of the Agent or the Collateral Agent, any receiver referred to below and/or the successful bidder or bidders at any foreclosure sale in a filing of an application (and furnishing any additional information that may be required in connection with such application or which the Agent or the Collateral Agent may believe relevant to such application) with the FCC, any PUC and all other applicable Governmental Authorities, requesting their prior approval of (i) the operation or abandonment of all or the portion of any System and/or (ii) the transfer of control of such Borrower or assignment

of all licenses, certificates, Governmental Approvals, approvals and permits, issued to such Borrower by the FCC, any PUC or any such Governmental Authorities with respect to any System and the operation thereof, to the Agent or the Collateral Agent, the receiver or to the successful bidder or bidders. In connection with the foregoing, each Borrower shall take such further actions, and execute all such instruments, as the Agent or the Collateral Agent reasonably deems necessary or desirable. Each Borrower agrees that the Agent or the Collateral Agent may enforce any obligation of such Borrower as set forth in this section by an action for specific performance. In addition, each Borrower hereby irrevocably constitutes and appoints the Agent and the Collateral Agent and any agent or officer thereof (which appointment is coupled with an interest) as its true and lawful attorney-in-fact with full irrevocable power and authority and in the place and stead of such Borrower and in the name of such Borrower or in its own name, from time to time in its discretion after the occurrence and during the continuance of an Event of Default and in connection with the foregoing, for the purpose of executing on behalf and in the name of such Borrower any and all of the above-referenced instruments and to take any and all appropriate action in furtherance of the foregoing. THE EXERCISE OF ANY RIGHTS OR REMEDIES HEREUNDER OR UNDER ANY OTHER LOAN DOCUMENT BY ANY LENDER, THE AGENT OR THE COLLATERAL AGENT THAT MAY REQUIRE FCC, ANY PUC OR ANY OTHER

87

GOVERNMENTAL AUTHORITY APPROVAL SHALL BE SUBJECT TO OBTAINING SUCH APPROVAL. PENDING THE RECEIPT OF ANY FCC, ANY PUC OR ANY OTHER GOVERNMENTAL AUTHORITY APPROVAL, NO BORROWER SHALL DO ANYTHING TO DELAY, HINDER, INTERFERE OR OBSTRUCT THE EXERCISE OF THE AGENT'S OR THE COLLATERAL AGENT'S RIGHTS OR REMEDIES HEREUNDER IN OBTAINING SUCH APPROVALS.

SECTION 9.08. APPOINTMENT OF RECEIVER OR TRUSTEE. In connection with the exercise of its remedies under this Agreement, the Agent or the Collateral Agent may, upon the occurrence of an Event of Default, obtain the appointment of a receiver or trustee to assume, upon receipt of all necessary judicial, FCC, any PUC or other Governmental Authority consents or approvals, control of or ownership of any of the Governmental Approvals. Such receiver or trustee shall have all rights and powers provided to it by law or by court order or provided to the Agent or the Collateral Agent under this Agreement. Upon the appointment of such trustee or receiver, the Borrowers agree to cooperate, to the extent necessary or appropriate, in the expeditious preparation, execution and filing of an application to the FCC, any PUC or any other Governmental Authority or for consent to the transfer of control or assignment of any Borrower's Governmental Approvals to the receiver or trustee.

SECTION 9.09. RIGHT OF SETOFF. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence and during the continuance of any Event of Default, each Lender and each holder of any Note is hereby authorized at any time or from time to time, without notice to any Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all balances held by it at any of its offices for the account of any Borrower (regardless of whether such balances are then due to such Borrower) and any other properties or assets any time held or owing by that Lender or that holder to or for the credit or for the account of any Borrower against and on account of any of the Obligations which are not paid when due. Any Lender or holder of any Note exercising a right to set off or otherwise receiving any payment on account of the Obligations in excess of its Pro Rata Share thereof shall purchase for cash (and the other Lenders or holders shall sell) such participation in each such other Lender's or holder's Pro Rata Share of the Obligations as would be necessary to cause such Lender to share the amount so set off or otherwise received with each other Lender or holder in accordance with their respective Pro Rata Shares. Each Borrower agrees, to the fullest extent permitted by law, that (a) any Lender or holder may exercise its right to set off with respect to amounts in excess of its Pro Rata Share of the Obligations and may sell participations in such amount so set off to other Lenders and holders and (b) any Lender or holder so purchasing a participation in the Loans made or other Obligations held by other Lenders or holders may exercise all rights of set-off, bankers' lien, counterclaim or similar rights with respect to such participation as fully as if such Lender or holder were a direct holder of the Loans and the other Obligations in the amount of such

participation. Notwithstanding the foregoing, if all or any portion of the set-off amount or payment otherwise received is thereafter recovered from the Lender that has exercised the right of set-off, the purchase of participations by that Lender shall be rescinded and the purchase price restored without interest. Each Borrower hereby agrees that the foregoing provisions are intended to be construed so as to satisfy the requirements of Section 553 of the Federal Bankruptcy Code or amendments thereto (including any requirement of mutuality of obligations therein).

88

ARTICLE X
THE AGENT AND THE COLLATERAL AGENT

SECTION 10.01. APPOINTMENT OF AGENT. (a) First Union National Bank is hereby appointed to act as contractual representative on behalf of all Lenders under this Agreement and the other Loan Documents. The Agent agrees to act as such contractual representative upon the express conditions contained in this ARTICLE X. The provisions of this SECTION 10.01 are solely for the benefit of the Agent and the Lenders and no Borrower or any other Person shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement and the other Loan Documents, the Agent shall act solely as an agent of the Lenders and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any Borrower or any other Person. The Agent shall have no duties or responsibilities except for those expressly set forth in this Agreement and the other Loan Documents. Notwithstanding the use of the defined term "Agent", it is expressly understood and agreed that the Agent shall not have any fiduciary responsibilities to any Lender by reason of this Agreement and that the Agent is merely acting as the representative of the Lenders with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In its capacity as the Lenders' contractual representative, the Agent (i) does not assume any fiduciary duties to any of the Lenders, (ii) is a "representative" of the Lenders within the meaning of Section 9-105 of the UCC and (iii) is acting as an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. Each of the Lenders agrees to assert no claim against the Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims each Lender waives. Neither the Agent nor any of its Affiliates nor any of their respective officers, directors, employees, agents or representatives shall be liable to any Lender for any action taken or omitted to be taken by it hereunder or under any other Loan Document, or in connection herewith or therewith, except for damages caused by its or their own gross negligence or willful misconduct.

(b) If the Agent shall request instructions from all Lenders, Requisite Lenders, Requisite Revolving Lenders or all affected Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any other Loan Document, then the Agent shall be entitled to refrain from such act or taking such action unless and until the Agent shall have received instructions from all Lenders, Requisite Lenders, Requisite Revolving Lenders or all affected Lenders, as the case may be, and the Agent shall not incur liability to any Person by reason of so refraining. The Agent shall be fully justified in failing or refusing to take any action hereunder or under any other Loan Document (a) if such action would, in the opinion of the Agent, be contrary to law or the terms of this Agreement or any other Loan Document, (b) if such action would, in the opinion of the Agent, expose the Agent to liabilities beyond the limits of this Agreement or (c) if the Agent shall not first be indemnified to its satisfaction against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Without limiting the foregoing, no Lender shall have any right of action whatsoever against the Agent as a result of the Agent acting or refraining from acting hereunder or under any other Loan Document in accordance with the instructions of all Lenders, Requisite Lenders, Requisite Revolving Lenders or all affected Lenders, as applicable.

89

SECTION 10.02. AGENT'S RELIANCE, ETC. Neither the Agent nor any of its Affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or the other Loan Documents, except for damages caused by its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (a) may treat the payee of any Note as the holder thereof until the Agent receives written notice of the assignment or transfer thereof signed by such payee and in form satisfactory to the Agent; (b) may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations made in or in connection with this Agreement or the other Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or the other Loan Documents on the part of any Borrower or to inspect the Collateral (including the books and records); (e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; and (f) shall incur no liability under or in respect of this Agreement or the other Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopy, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 10.03. FUNB AND AFFILIATES. With respect to its Commitments hereunder, FUNB shall have the same rights and powers under this Agreement and the other Loan Documents as any other Lender and may exercise the same as though it were not the Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include FUNB in its individual capacity. FUNB and its Affiliates may lend money to, invest in, and generally engage in any kind of business with, any Borrower, any of its Affiliates and any Person who may do business with or own securities of any Borrower or any such Affiliate, all as if FUNB were not the Agent and without any duty to account therefor to Lenders. FUNB and its Affiliates may accept fees and other consideration from any Borrower for services in connection with this Agreement or otherwise without having to account for the same to Lenders. FUNB may also purchase or hold Equity Interests or warrants in KMC Holdings or any Borrower and make subordinated loans to any Borrower. Each Lender acknowledges the potential conflict of interest between FUNB as a Lender holding disproportionate interests in the Loans, FUNB as a member or subordinated debt holder, of the Borrower and FUNB as Agent.

SECTION 10.04. LENDER CREDIT DECISION. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on the financial information given it by the Borrowers and such other documents and information as it has deemed appropriate, made its own credit and financial analysis of the Borrowers and its own decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement. Each Lender acknowledges the potential conflict of interest of each other Lender as a

90

result of Lenders holding disproportionate interests in the Loans, and expressly consents to, and waives any claim based upon, such conflict of interest.

SECTION 10.05. INDEMNIFICATION. Each of the Lenders agrees to indemnify the Agent (to the extent not reimbursed by the Borrowers and without limiting the obligations of Borrowers hereunder), ratably according to their respective Pro Rata Shares, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising

out of this Agreement or any other Loan Document or any action taken or omitted by the Agent in connection therewith; PROVIDED, HOWEVER, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct. Without limiting the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement and each other Loan Document, to the extent that the Agent is not reimbursed for such expenses by the Borrowers.

SECTION 10.06. SUCCESSOR AGENT. The Agent may resign at any time by giving not less than thirty (30) days' prior written notice thereof to Lenders and the Borrowers. Upon any such resignation, the Requisite Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Requisite Lenders and shall have accepted such appointment within 30 days after the resigning Agent's giving notice of resignation, then the resigning Agent may, on behalf of Lenders, appoint a successor Agent, which shall be a Lender, if a Lender is willing to accept such appointment, or otherwise shall be a commercial bank or financial institution or a subsidiary of a commercial bank or financial institution if such commercial bank or financial institution is organized under the laws of the United States of America or of any State thereof and has a combined capital and surplus of at least \$300,000,000. If no successor Agent has been appointed pursuant to the foregoing, by the 30th day after the date such notice of resignation was given by the resigning Agent, such resignation shall become effective and the Requisite Lenders shall thereafter perform all the duties of Agent hereunder until such time, if any, as the Requisite Lenders appoint a successor Agent as provided above. Any successor Agent appointed by the Requisite Lenders hereunder shall be subject to the approval of Borrowers, such approval not to be unreasonably withheld or delayed; PROVIDED that such approval shall not be required if a Default or an Event of Default shall have occurred and be continuing. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall succeed to and become vested with all the rights, powers, privileges and duties of the resigning Agent. Upon the earlier of the acceptance of any appointment as Agent hereunder by a successor Agent or the effective date of the resigning Agent's resignation, the resigning Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents, except that any indemnity rights or other rights in favor of such resigning Agent shall continue. After any resigning Agent's resignation hereunder, the provisions of this SECTION 10.06 shall inure to its

91

benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement and the other Loan Documents.

SECTION 10.07. PAYMENTS; NON-FUNDING LENDERS; INFORMATION; ACTIONS IN CONCERT.

(a) LOANS; PAYMENTS. Whenever the Agent receives a payment of principal, interest, fee or premium (if any) or other payment, or whenever the Agent makes an application of funds, in connection with the Loans or the Notes (including, without limitation, any payment or application from any Collateral), the Agent will on the date such payment is received or applied, if on or prior to 11:00 a.m. (Eastern time) on such date, or otherwise on the next Business Day, pay over to each Lender as instructed by such Lender in writing, an amount equal to such Lender's Pro Rata Share of such payment provided that such Lender has funded all Loans required to be made by it and has purchased all participation required to be purchased by it under this Agreement and the other Loan Documents as of such date. To the extent that any Lender (a "NON-FUNDING LENDER") has failed to fund all such payments and Loans or failed to fund the purchase of all such participation, the Agent shall be entitled to set off the funding short-fall against that Non-Funding Lender's Pro Rata Share of all payments received from the Borrowers. All payments by Agent shall be made by wire transfer to such Lender's account (as specified by such Lender) not later

than 2:00 p.m. (Eastern time) on the applicable Business Day.

(b) RETURN OF PAYMENTS. (i) If Agent pays an amount to a Lender under this Agreement in the belief or expectation that a related payment has been or will be received by the Agent from the Borrowers and such related payment is not received by Agent, then the Agent will be entitled to recover such amount from such Lender on demand without set-off, counterclaim or deduction of any kind.

(ii) If the Agent determines at any time that any amount received by the Agent under this Agreement must be returned to any Borrower or paid to any other Person pursuant to any insolvency law or otherwise, then, notwithstanding any other term or condition of this Agreement or any other Loan Document, the Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender will repay to Agent on demand any portion of such amount that the Agent has distributed to such Lender, together with interest at such rate, if any, as the Agent is required to pay to any Borrower or such other Person, without set-off, counterclaim or deduction of any kind.

(c) NON-FUNDING LENDERS. The failure of any Non-Funding Lender to make any portion of its Loans or any payment required by it hereunder on the date specified therefor shall not relieve any other Lender (each such other Lender, an "OTHER LENDER") of its obligations to make any such Loan on such date, but neither any Other Lender nor the Agent nor the Collateral Agent shall be responsible for the failure of any Non-Funding Lender to make any Loan. Notwithstanding anything set forth herein to the contrary, a Non-Funding Lender shall not have any voting or consent rights under or with respect to any Loan Document or constitute a "Lender" (or be included in the calculation of "Requisite Lenders" or "Requisite Revolving Lenders" hereunder) for any voting or consent rights under or with respect to any Loan Document.

92

(d) DISSEMINATION OF INFORMATION. The Agent will use reasonable efforts to provide Lenders with any notice of Default or Event of Default received by the Agent from, or delivered by the Agent to, the Borrowers, with notice of any Event of Default of which the Agent has actually become aware and with notice of any action taken by the Agent following any Event of Default; PROVIDED, however, that the Agent shall not be liable to any Lender for any failure to do so, except to the extent that such failure is attributable to the Agent's gross negligence or willful misconduct. Lenders acknowledge that the Borrowers are required to provide financial statements and other documents to Lenders pursuant to this Agreement and agree that the Agent shall have no duty to provide the same to Lenders.

(e) ACTIONS IN CONCERT. Anything in this Agreement to the contrary notwithstanding, each Lender hereby agrees with each other Lender that no Lender shall take any action to protect or enforce its rights arising out of this Agreement or the Notes (including exercising any rights of set-off) without first obtaining the prior written consent of the Agent, the Collateral Agent and Requisite Lenders, it being the intent of Lenders that any such action to protect or enforce rights under this Agreement and the Notes shall be taken in concert and at the direction or with the consent of Agent and the Collateral Agent.

SECTION 10.08. COLLATERAL MATTERS.

(a) The Lenders hereby irrevocably authorize the Collateral Agent, at its option and in its reasonable business judgment, to release any Lien upon any Collateral (i) upon the termination of the Commitments and payment and satisfaction of all Loans and all other Obligations and which the Collateral Agent has been notified in writing are then due and payable; (ii) constituting property being sold or disposed of if the applicable Borrower certifies to the Collateral Agent that the sale or disposition is made in compliance with SECTION 6.03 (and the Collateral Agent may rely conclusively on any such certificate, without further inquiry); or (iii) constituting property leased to the applicable Borrower under a lease which has expired or been terminated in a transaction permitted under this Agreement or which will expire imminently and which has not been, and is not intended by such Borrower to be, renewed or extended and with respect to which such Borrower has not exercised any purchase

option. Except as provided above, the Collateral Agent will not release any of the Liens without the prior written authorization of the Requisite Lenders; PROVIDED that the Collateral Agent may not release the Liens on Collateral valued in the aggregate in excess of \$500,000 without the prior written authorization of the Requisite Lenders and may not release all or substantially all of the Collateral without the consent of the Lenders. Upon request by the Collateral Agent or the Borrowers at any time, the Lenders will confirm in writing the Collateral Agent's authority to release any Liens upon particular types or items of Collateral pursuant to this SECTION 10.08(a).

(b) Upon receipt by the Collateral Agent of any authorization required pursuant to SECTION 10.08(a) from the Requisite Lenders or Lenders, as applicable, of the Collateral Agent's authority to release any Liens upon particular types or items of Collateral, and upon at least five (5) Business Days' prior written request by the applicable Borrower, and provided that no Event of Default has occurred and is then continuing, the Collateral Agent shall (and is hereby irrevocably authorized by the Lenders to) execute such documents as may be necessary to evidence the release of the Liens upon such Collateral; PROVIDED, HOWEVER, that (i) the Collateral Agent shall not be required to

93

execute any such document on terms which, in the Collateral Agent's opinion, would expose the Collateral Agent to liability or create any obligation or entail any consequence other than the release of such Liens without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Obligations or any Liens (other than those expressly being released) upon (or obligations of the applicable Borrower in respect of) all interests retained by the applicable Borrower, including (without limitation) the proceeds of any sale, all of which shall continue to constitute part of the Collateral.

(c) The Collateral Agent shall have no obligation whatsoever to any of the Lenders to assure that the Collateral exists or is owned by any Borrower or is cared for, protected or insured or has been encumbered, or, other than a duty to act without recklessness, willful misconduct or gross (but not mere) negligence, that the Liens have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to the pursuant to this SECTION 10.08 or pursuant to any of the Loan Documents, it being understood and agreed that in respect of the Collateral, or any act, omission or event related thereto, the Collateral Agent may act in any manner it may deem appropriate, in its reasonable business judgment, given the Collateral Agent's own interest in the Collateral in its capacity as one of the Lenders and that the Collateral Agent shall have no other duty or liability whatsoever to any Lender as to any of the foregoing.

SECTION 10.09. AGENCY FOR PERFECTION. Each Lender hereby appoints each other Lender as agent for the purpose of perfecting the Lenders' security interest in assets which, in accordance with Article 9 of the UCC can be perfected only by possession. Should any Lender (other than the Collateral Agent) obtain possession of any such Collateral, such Lender shall notify the Collateral Agent thereof, and, promptly upon the Collateral Agent's request therefor shall deliver such Collateral to the Collateral Agent.

SECTION 10.10. CONCERNING THE COLLATERAL AND THE RELATED LOAN DOCUMENTS AND THE COLLATERAL AGENT. (a) Each Lender authorizes and directs the Collateral Agent to enter into this Agreement and the other Loan Documents relating to the Collateral, for the ratable benefit of the Lenders. Each Lender agrees that any action taken by the Collateral Agent or Requisite Lenders in accordance with the terms of this Agreement or the other Loan Documents relating to the Collateral, and the exercise by the Collateral Agent or the Requisite Lenders of their respective powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all of the Lenders.

(b) The Collateral Agent with respect to the administration of the Collateral shall have the same rights, obligations and status as the Agent as

are set forth in SECTION 10.01, 10.02, 10.03, 10.04, 10.05, and 10.06 above.

ARTICLE XI MISCELLANEOUS

94

SECTION 11.01. NOTICES; ACTION ON NOTICES, ETC. (a) Notices and other communications provided for herein shall be in writing and shall be delivered by a courier service of recognized standing (specifying one (1) day delivery), or by registered or certified mail, postage prepaid, return receipt requested (or, if by telecopy communications equipment of the sending party, delivered by such equipment) addressed, if to the Borrowers, at KMC Telecom Inc., 1545 Route 206, Suite 300, Bedminster, NJ 07921; Attention: President; (telecopy no. (908) 719-8775, confirmation no. (908) 470-2200) with a copy to Alan M. Epstein Esq., Kelley Drye & Warren LLP, 101 Park Avenue, New York, NY 10178; (telecopy no. (212) 808-7897, confirmation no. (212) 808-7800), if to the Agent, at First Union National Bank, Communications/Media Finance-PA4829, 1339 Chestnut Street, Philadelphia, PA 19107, Attention: Elizabeth Elmore (telecopy no. (215) 786-7721, confirmation no. (215) 786-4321), and if to the Collateral Agent, at Newcourt Commercial Finance Corporation, c/o The CIT Group, Inc. - Structured Finance Group, Two Gatehall Drive, First Floor, Parsippany, NJ 07054, Attention: Media and Communications, Vice President-Credit (telecopy no. (973) 355-7643, confirmation no. (973) 355-7630), with copies to Newcourt Commercial Finance Corporation, c/o The CIT Group, Inc. - Structured Finance Group, Two Gatehall Drive, First Floor, Parsippany, NJ 07054, Attention: Vice President - Credit (telecopy no. (973) 355-7641, confirmation no. (973) 355-7630) and Attention: Vice President - Legal (telecopy no. (973) 355-7645, confirmation no. (973) 355-7609). All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given (a) five Business Days after mailing when sent by registered or certified mail, postage prepaid, return receipt requested, or (b) upon receipt, if by courier service or any telecopy communications equipment of the sender, in each case addressed to such party as provided in this Section or in accordance with the latest unrevoked direction from such party.

(b) Each Borrower agrees that the Agent or the Collateral Agent may act upon any notice, consent, certificate, cable, telex or other instrument or writing believed by the Agent or the Collateral Agent to be genuine, that the Agent or the Collateral Agent may consult with legal counsel, selected by the Agent or the Collateral Agent and shall not be liable to any Borrower for any action taken or omitted to be taken in good faith by Lender in accordance with the advice of such counsel.

SECTION 11.02. NO WAIVERS; AMENDMENTS. (a) No failure or delay of the Agent, the Collateral Agent or any Lender to exercise any right hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, preclude any other or further exercise thereof or the exercise of any other right. No waiver of any provision of this Agreement or any other Loan Document nor consent to any departure by any Borrower therefrom shall in any event be effective unless the same shall be in writing and signed by the Agent and the Requisite Lenders (or, if applicable, all Lenders), and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Borrower in any case shall entitle any Borrower to any other or further notice or demand in similar or other circumstances.

(b) Subject to the provisions of this SECTION 11.02(b), the Requisite Lenders (or the Agent with the consent in writing of the Requisite Lenders) and the Borrowers may enter into agreements supplemental hereto for the purpose of

95

adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Lenders or the Borrowers hereunder or waiving any Event of Default or Default hereunder; PROVIDED, any Interest Rate Agreement which

constitutes a Loan Document may be amended or modified solely with the consent of the parties thereto; PROVIDED, FURTHER, HOWEVER, that no such supplemental agreement shall, without the consent of each Lender affected thereby:

(i) Postpone or extend the Revolving Credit Commitment Termination Date, the maturity date for the Loans or any other date fixed for any payment of principal of, or interest on, the Loans or any fees or other amounts payable to such Lender except with respect to (A) any modifications of the provisions relating to prepayments of Loans and other Obligations and (B) a waiver of the application of the default rate of interest pursuant to SECTION 2.05(b) hereof.

(ii) Reduce the principal amount of any Loans, or reduce the rate or extend the time of payment of interest or fees thereon.

(iii) Reduce the percentage specified in the definition of Requisite Lenders or Requisite Revolving Lenders or any other percentage of Lenders specified to be the applicable percentage in this Agreement to act on specified matters or amend the definition of "Pro Rata Share".

(iv) Increase the amount of any Commitment of any Lender hereunder or increase or decrease any Lender's Pro Rata Share.

(v) Permit any Borrower to assign its rights under this Agreement.

(vi) Release all or substantially all of the Collateral.

(vii) Amend this SECTION 11.02(b).

No amendment of any provision of this Agreement relating to the Agent or the Collateral Agent shall be effective without the written consent of the Agent or the Collateral Agent, as applicable.

SECTION 11.03. GOVERNING LAW AND JURISDICTION. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY CONFLICTS OF LAWS PRINCIPLES. THE BORROWERS, THE AGENT, THE COLLATERAL AGENT AND THE LENDERS CONSENT TO THE JURISDICTION OF ANY LOCAL, STATE OR FEDERAL COURT LOCATED IN THE CITY AND STATE OF NEW YORK AND WAIVE ANY OBJECTION RELATING TO IMPROPER VENUE OR FORUM NON CONVENIENS TO THE CONDUCT OF ANY PROCEEDING BY SUCH COURT.

SECTION 11.04. EXPENSES. The Borrowers will pay, and have joint and several liability for, all documented out-of-pocket third-party expenses (including in each case all reasonable attorneys' and paralegals' fees and related expenses and costs), (i) incurred by the Agent, the Collateral Agent and the Documentation Agent in connection with the negotiation, preparation and

96

execution of the Loan Documents (whether or not the transactions contemplated hereby shall be consummated), subject, however, to the limitations set in those certain letters dated September 25, 1998 between KMC Holdings and the Agent, and KMC Holdings and the Documentation Agent, with respect to the fees and expenses of counsel for the Agent and the Documentation Agent, (ii) incurred by the Agents, in connection with the administration of the Loan Documents, and the creation, perfection, priority and protection of the Liens in the Collateral, and (iii) incurred by any Agent or any Lender in connection with the enforcement of the rights of any Agent or any Lender in connection with this Agreement, any other Loan Documents or the Collateral, or any restructuring or workout of this Agreement or the other Loan Documents.

SECTION 11.05. EQUITABLE RELIEF. Each Borrower recognizes that, in the event such Borrower fails to perform, observe or discharge any of its obligations or liabilities under this Agreement, or any other Loan Document, any remedy at law may prove to be inadequate relief to the Agent, the Collateral Agent and the Lenders; therefore, such Borrower agrees that the Agent or the Collateral Agent, if it so requests, shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

SECTION 11.06. INDEMNIFICATION; LIMITATION OF LIABILITY; LUCENT RELATIONSHIPS. (a) The Borrowers jointly and severally agree to protect, indemnify and hold harmless the Agent, the Collateral Agent each Lender and each of their respective officers, affiliates, directors, employees, attorneys, accountants, consultants, representatives and agents (collectively called the "INDEMNITEES") from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements (including, without limitation, payment by the Agent, the Collateral Agent or any Lender of any obligations due or past due under any contract or agreement to which any Borrower is or becomes a party) of any kind or nature whatsoever (including, without limitation, the fees and disbursements of counsel for and consultants of such Indemnitees in connection with any investigative, administrative or judicial proceeding, whether or not such Indemnitees shall be designated a party thereto), which may be imposed on, incurred by, or asserted against such Indemnitees (whether direct, indirect, or consequential and whether based on any federal or state laws or other statutory regulations, including, without limitation, securities, environmental and commercial laws and regulations, under common law or at equitable cause or in contract or otherwise) in any manner relating to or arising out of this Agreement or any of the other Loan Documents, or any act, event or transaction related or attendant thereto, the agreements of the Agent, the Collateral Agent or the Lenders contained herein, the making of Loans, the management of such Loans or the Collateral (including any liability under Environmental Laws) or the use or intended use of the proceeds of such Loans hereunder (collectively, the "INDEMNIFIED MATTERS"); PROVIDED that the Borrowers shall not have any obligation to any Indemnitee hereunder with respect to Indemnified Matters caused by or resulting from the willful misconduct or gross negligence of such Indemnitee; PROVIDED, FURTHER that no Borrower shall have any obligation to any Indemnitee hereunder with respect to taxes that are imposed on the net income of any Indemnitee or any franchise or doing business taxes imposed on any Indemnitee. To the extent that the undertaking to indemnify, pay and hold harmless set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, the Borrowers shall contribute the maximum portion which they are permitted to pay and satisfy under applicable

97

law, to the payment and satisfaction of all Indemnified Matters incurred by the Indemnitees.

(b) To the extent permitted by applicable law, no claim may be made by the Borrowers or any other Person against the Agent, the Collateral Agent, any Lender or any of their respective affiliates, directors, officers, employees, agents, attorneys, accountants, representatives or consultants for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by any of the Loan Documents or any act, omission or event occurring in connection therewith; and the Borrowers hereby waive, release and agree not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

(c) The Borrowers agree not to, and hereby irrevocably waive any right to, (i) assert in any action or proceeding relating to any of the Loan Documents or the transactions contemplated thereby, any claim, counterclaim, cross claim or defense arising from any act or omission of Lucent other than in Lucent's capacity as a Lender under the Loan Documents, and (ii) assert any right of setoff in lieu of making payment under the Loan Documents arising from any act or omission of Lucent other than in Lucent's capacity as a Lender under the Loan Documents.

SECTION 11.07. SURVIVAL OF REPRESENTATIONS AND WARRANTIES, ETC. All warranties and representations made by any Borrower in any Loan Document shall survive the execution and delivery of this Agreement and the other Loan Documents and the making and repayment of the Obligations. The confidentiality obligations of each Borrower in SECTION 11.16, the indemnification obligations of each Borrower in SECTION 11.06, and to the extent the second sentence of SECTION 11.13 is applicable, all covenants of each Borrower, survive the repayment of the Obligations.

SECTION 11.08. SUCCESSORS AND ASSIGNS; ASSIGNMENTS; PARTICIPATIONS.

(a) GENERAL. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Borrowers, the Agent, the Collateral Agent and the Lenders and their respective successors and assigns, except that (i) no Borrower shall have any right to assign its rights or obligations under the Loan Documents and (ii) any assignment by any Lender must be made in compliance with SUBSECTION (c) below. With respect to any Borrower, successors and assigns shall include, without limitation, any receiver, trustee or debtor-in-possession of or for such Borrower. Notwithstanding the foregoing, any Lender may at any time, without the consent of the Borrowers or the Agent, assign all or any portion of its rights under this Agreement and its Notes to a Federal Reserve Bank or to an affiliate of such Lender or as collateral security for any loan or financing or in connection with any securitization or other similar transaction; PROVIDED, HOWEVER, that no such assignment shall release the transferor Lender from its obligations hereunder. The Agent shall be entitled to utilize its Register to determine the payee of any Note for all purposes hereof. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the holder of

98

any Note, shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note or of any Note or Notes issued in exchange therefor.

(b) Participations.

(i) Subject to the terms set forth in this Section 11.08(b), any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in any Loan owing to such Lender, any Note held by such Lender, any Commitment of such Lender or any other interest of such Lender under the Loan Documents on a pro rata or non-pro rata basis in an aggregate principal amount of at least \$5,000,000. Notice of such participation to the Agent shall be required prior to any participation becoming effective with respect to a Participant which is not a Lender or an Affiliate thereof. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the holder of any such Note for all purposes under the Loan Documents, such Lender shall be solely responsible for any withholding taxes or any filing or reporting requirements in connection therewith relating to such Participant, all amounts payable by the Borrowers under this Agreement shall be determined as if such Lender had not sold such participating interests, and the Borrowers and the Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents except that, for purposes of Section 2.13 hereof, the Participants shall be entitled to the same rights as if they were Lenders, provided that no Participant shall be entitled to receive any greater amount pursuant to Section 2.13 than such Lender would have been entitled to receive in respect of the amount of the participation transferred to such Participant had no transfer occurred.

(ii) Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Loan or Commitment in which such Participant has an interest which forgives principal, interest or fees or reduces the interest rate or fees payable pursuant to the terms of this Agreement with respect to any such Loan or Commitment, postpones any date fixed for any regularly-scheduled payment of principal of, or interest or fees on, any such Loan or Commitment, or releases all or substantially all of the Collateral, if any, securing any such Loan.

(iii) The Borrowers agree that each Participant shall be deemed to have the right of setoff provided in SECTION 9.09 hereof in respect of its

participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents, PROVIDED that each Lender shall retain the right of setoff provided in SECTION 9.09 hereof with respect to the amount of participating interests sold to each Participant except to the extent such Participant exercises its right of setoff. The Lenders agree to share with each Participant, and each Participant, by exercising the right of setoff provided in SECTION 9.09

99

hereof, agrees to share with each Lender, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with SECTION 9.09 as if each Participant were a Lender.

(c) Assignments.

(i) Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other entities ("PURCHASERS") all or a portion of its rights and obligations under this Agreement (including, without limitation, its Commitment and the Loans owing to it hereunder) in accordance with the provisions of this SECTION 11.08(c). Each assignment shall be of a constant, and not a varying, ratable percentage of all of the assigning Lender's rights and obligations under this Agreement. Such assignment shall be evidenced by an Assignment Agreement substantially in the form of EXHIBIT O attached hereto and shall not be permitted hereunder unless such assignment is either for all of such Lender's rights and obligations under the Loan Documents or, for Loans and Commitments in an aggregate principal amount equal to the lesser of \$5,000,000 (which minimum amount may be waived by the Requisite Lenders after the occurrence of a Default) and such Lender's Commitment Amount.

(ii) Upon (i) delivery to the Agent of a notice of assignment (a "NOTICE OF ASSIGNMENT"), together with any consent required hereunder, and (ii) payment of a \$3,500 processing fee to the Agent for processing such assignment if such assignment is to a Person which is not an affiliate of the assigning Lender, such assignment shall become effective on the effective date specified in such Notice of Assignment. The assigning Lender shall be obligated to reimburse the Agent for all other costs and expenses associated with the preparation and execution of such assignment (including reasonable attorneys' fees arising out of such preparation and execution of such assignment). The Notice of Assignment shall contain a representation by the Purchaser to the effect that none of the consideration used to make the purchase of the Commitment and Loans under the applicable assignment agreement are "plan assets" as defined under ERISA and that the rights and interests of the Purchaser in and under the Loan Documents will not be "plan assets" under ERISA. On and after the effective date of such assignment, such Purchaser, if not already a Lender, shall for all purposes be a Lender party to this Agreement and any other Loan Documents executed by the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party hereto, and no further consent or action by the Borrowers, the Lenders or the Agent shall be required to release the transferor Lender with respect to the percentage of the aggregate Commitment and Loans assigned to such Purchaser. Upon the consummation of any assignment to a Purchaser pursuant to this SECTION 11.08(C)(ii), the transferor Lender, the Agent and the Borrowers shall make appropriate arrangements so that replacement Notes are issued to such transferor Lender and new Notes or, as appropriate, replacement Notes, are issued to such Purchaser, in each case in principal amounts reflecting their Commitment and their Loans, as adjusted pursuant to such assignment.

100

(iii) The Agent shall maintain at its address referred to in SECTION 11.01 a copy of each assignment delivered to and accepted by it pursuant to this SECTION 11.08 and a register (the "REGISTER") for the recordation of

the names and addresses of the Lenders and the Commitment of and principal amount of the Loans owing to, each Lender from time to time and whether such Lender is an original Lender or the assignee of another Lender pursuant to an assignment under this SECTION 11.08. The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrowers, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrowers or any Lender at any reasonable time and from time to time upon reasonable prior notice.

SECTION 11.09. SEVERABILITY. In case any one or more of the provisions contained in this Agreement or any other Loan Document shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby.

SECTION 11.10. COVER PAGE, TABLE OF CONTENTS AND SECTION HEADINGS. The cover page, Table of Contents and section headings used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of or be taken into consideration in interpreting this Agreement.

SECTION 11.11. COUNTERPARTS. This Agreement may be signed in counterparts with the same effect as if the signatures thereof and hereto were upon the same instrument.

SECTION 11.12. APPLICATION OF PAYMENTS. Notwithstanding any contrary provision contained in this Agreement or in any of the other Loan Documents, upon the occurrence and during the continuance of any Event of Default, each Borrower irrevocably waives the right to direct the application of any and all payments at any time or times hereafter received by the Agent or any Lender from such Borrower or with respect to any of the Collateral, and such Borrower does hereby irrevocably agree that the Agent or any Lender shall have the continuing exclusive right to apply and reapply any and all payments received at any time or times hereafter, whether with respect to the Collateral or otherwise, against the Obligations in such manner as the Agent or any Lender may deem advisable, notwithstanding any entry by the Agent or any Lender upon any of its books and records, subject, however, to the provisions of SECTION 2.08(c).

SECTION 11.13. MARSHALLING; PAYMENTS SET ASIDE. Neither the Agent nor the Collateral Agent shall be under any obligation to marshal any assets in favor of any Borrower or any other party or against or in payment of any or all of the Obligations. To the extent that any Borrower makes a payment or payments to any Agent or any Lender or the Agent, the Collateral Agent or any Lender enforces its security interests or exercises its rights of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect

101

as if such payment had not been made or such enforcement or setoff had not occurred.

SECTION 11.14. SERVICE OF PROCESS. EACH BORROWER WAIVES PERSONAL SERVICE OF ANY PROCESS UPON IT AND, CONSENTS THAT ALL SERVICE OF PROCESS SHALL BE MADE BY REGISTERED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO SUCH BORROWER AT THE ADDRESS INDICATED IN SECTION 11.01 AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED FIVE (5) BUSINESS DAYS AFTER SAME SHALL HAVE BEEN POSTED AS AFORESAID.

SECTION 11.15. WAIVER OF JURY TRIAL, ETC. EACH OF THE BORROWERS, THE AGENT, THE COLLATERAL AGENT AND THE LENDERS WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN THE AGENT, THE COLLATERAL AGENT OR ANY LENDER AND ANY

BORROWER ARISING OUT OF, CONNECTED WITH, RELATED TO OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION THEREWITH OR THE TRANSACTIONS RELATED THERETO. EACH OF THE BORROWERS, THE AGENT, THE COLLATERAL AGENT AND THE LENDERS HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY OF THEM MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

SECTION 11.16. CONFIDENTIALITY. No Borrower shall at any time before or after payment in full and satisfaction of all of the Obligations, reveal, divulge or make known, or knowingly permit to be so revealed, divulged or made known, to any Person (including Persons within its own organization who do not have a definite need to know for the purpose of performance of this Agreement), the terms or conditions of the Fee Letters; PROVIDED that the foregoing shall not apply to information required to be disclosed by order of a court of competent jurisdiction or in connection with any governmental investigation (in each case to the extent disclosure is required, but no further) so long as such Borrower notifies the Agent in writing of any circumstances of which such Borrower is aware that may lead to such a requirement or order, so as to allow the Agent to take steps to contest such order or investigation; PROVIDED, FURTHER, that the foregoing shall not apply to information which is required to be disclosed by such Borrower or information which in the reasonable determination of such Borrower is desirable for such Borrower to disclose, pursuant to federal or state securities laws, pursuant to the rules or regulations of the FCC, any PUC or other applicable Governmental Authority, or to Persons who are consultants, advisors (including but not limited to attorneys and auditors), officers, directors or employees of such Borrower, provided that each such Person is required by such Borrower to keep such information confidential.

102

SECTION 11.17. ENTIRE AGREEMENT, ETC. This Agreement (including all schedules and exhibits referred to herein), the Notes, the Fee Letters and all other Loan Documents constitute the entire contract among the parties hereto with respect to the subject matter hereof and thereof and shall supersede and take the place of any other instrument purporting to be an agreement of the parties hereto relating to such subject matter.

SECTION 11.18. NO STRICT CONSTRUCTION. The parties hereto have participated, jointly in the negotiation and drafting of this Agreement. In the event of any ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of authorship of any provisions of this Agreement.

103

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers as of the day and year first above written.

KMC TELECOM INC., as a Borrower

By: /s/

Name: James D. Grenfell

Title: Chief Financial Officer

KMC TELECOM II, INC., as a Borrower

By: /s/

Name: James D. Grenfell
Title: Chief Financial Officer

KMC TELECOM III, INC., as a Borrower

By: /s/

Name: James D. Grenfell
Title: Chief Financial Officer

KMC TELECOM OF VIRGINIA, INC., as a Borrower

By: /s/

Name: James D. Grenfell
Title: Chief Financial Officer

KMC TELECOM LEASING I LLC, as a Borrower
BY: KMC TELECOM INC., as Sole Member

By: /s/

Name: James D. Grenfell
Title: Chief Financial Officer

KMC TELECOM LEASING II LLC, as a Borrower
BY: KMC TELECOM II, INC., as Sole Member

By: /s/

Name: James D. Grenfell
Title: Chief Financial Officer

KMC TELECOM LEASING III LLC, as a Borrower
BY: KMC TELECOM III, INC., as Sole Member

By: /s/

Name: James D. Grenfell
Title: Chief Financial Officer

KMC TELECOM.COM, INC., as a Borrower

By: /s/

Name: James D. Grenfell

Title: Chief Financial Officer

KMC III SERVICES LLC, as a Borrower
BY: KMC Telecom III, Inc., as Sole Member

By: /s/

Name: James D. Grenfell
Title: Chief Financial Officer

NEWCOURT COMMERCIAL FINANCE CORPORATION, an
affiliate of The CIT Group, Inc., as a Lender and
as Collateral Agent

By: /s/

Name: Michael V. Monahan
Title: Vice President

FIRST UNION NATIONAL BANK, as a Lender and as
Administrative Agent

By: /s/

Name: Elizabeth Elmore
Title: Senior Vice President

GENERAL ELECTRIC CAPITAL CORPORATION, as a
Lender

By: /s/

Name: Mark F. Mylon
Title: Manager-Operations

CANADIAN IMPERIAL BANK OF COMMERCE, as
a Lender

By: /s/

Name: Ellen Marshall
Title: Managing Director
CIBC World Markets Corp., as Agent

LUCENT TECHNOLOGIES INC., as a Lender

By: /s/

Name: Dina Fede
Title: Director-Customer Finance

BANKBOSTON, N.A., as a Lender

By: /s/

Name: Michael A. Ashton
Title: Vice President

CREDIT SUISSE FIRST BOSTON, as a Lender

By: /s/

Name: Jeffrey B. Ulmer
Title: Vice President

By: /s/

Name: Douglas E. Maher
Title: Vice President

DRESDNER BANK AG NEW YORK AND
GRAND CAYMAN BRANCHES, as a Lender

By: /s/

Name: John P. Flesler
Title: Senior Vice President

By: /s/

Name: Constance Loosemore
Title: Assistant Vice President

MORGAN STANLEY SENIOR FUNDING, INC.,
as a Lender

By: /s/

Name: T. Morgan Edwards II
Title: Vice President

By: /s/

Name:
Title:

MORGAN STANLEY DEAN WITTER
PRIME INCOME TRUST, as a Lender

By: /s/

Name: Shelia Finnely
Title: Senior Vice President

UNION BANK OF CALIFORNIA, as a Lender

By: /s/

Name: Keith M. Wilson
Title: Vice President

KEYPORT LIFE INSURANCE COMPANY, as a Lender

By: /s/

Name: Brian W. Good
Title: Vice President & Portfolio Manager

STEIN ROE FLOATING RATE LIMITED
LIABILITY COMPANY, as a Lender

By: /s/

Name: Brian W. Good
Title: Vice President,
Stein Roe & Farnham Incorporated
as Advisor to the Stein Roe Floating
Rate Limited Liability Company

ANNEX A

COMMITMENT AMOUNTS

REVOLVING LOANS

Lender	Revolving Loan Commitment Amount
Newcourt Commercial Finance Corporation	\$ 22,500,000
Canadian Imperial Bank of Commerce	\$ 22,500,000
First Union National Bank	\$ 37,500,000
General Electric Capital Corporation	\$ 22,500,000
BankBoston, N.A.	\$ 14,000,000
Credit Suisse First Boston	\$ 17,500,000
Dresdner Bank AG New York & Grand Cayman Branches	\$ 14,000,000
Morgan Stanley Senior Funding, Inc.	\$ 17,500,000
Union Bank of California, N.A.	\$ 7,000,000

TOTAL	\$175,000,000
-------	---------------

TERM A LOANS

Lender	Term A Loan Commitment Amount
Newcourt Commercial Finance Corporation	\$ 3,250,000
Canadian Imperial Bank of Commerce	\$ 3,250,000
First Union National Bank	\$ 3,250,000
General Electric Capital Corporation	\$ 3,250,000
BankBoston, N.A.	\$ 6,000,000
Credit Suisse First Boston	\$ 7,500,000
Dresdner Bank AG New York & Grand Cayman Branches	\$ 6,000,000
Keyport Life Insurance Company	\$ 5,000,000
Morgan Stanley Dean Witter Prime Income Trust	\$25,000,000
Morgan Stanley Senior Funding, Inc.	\$ 7,500,000
Stein Roe Floating Rate Limited Liability Compan	\$ 2,000,000
Union Bank of California, N.A.	\$ 3,000,000
TOTAL	\$75,000,000

TERM B LOANS

Lender	Term B Loan Commitment Amount
Lucent Technologies Inc.	\$450,000,000
TOTAL COMMITMENTS	\$700,000,000

ANNEX B

FINANCIAL COVENANT INFORMATION

ITEM 2 FISCAL QUARTER ENDING	MINIMUM REVENUES
March 31, 2000	\$ 24,935,000
June 30, 2000	\$ 33,833,000
September 30, 2000	\$ 43,122,000
December 31, 2000	\$ 52,827,000
March 31, 2001	\$ 65,937,000
June 30, 2001	\$ 80,205,000
September 30, 2001	\$ 92,926,000
December 31, 2001	\$103,370,000

ITEM 2

FISCAL QUARTER ENDING	115% OF EBITDA LOSSES	EBITDA LOSSES LESS \$7,500,000
March 31, 2000	(\$72,368,000)	(\$70,429,000)
June 30, 2000	(\$78,372,000)	(\$75,649,000)
September 30, 2000	(\$64,507,000)	(\$63,593,000)
December 31, 2000	(\$49,948,000)	(\$50,933,000)
March 31, 2001	(\$25,563,000)	(\$29,729,000)
June 30, 2001	\$ 1,082,000 (1)	(\$ 6,227,000)

ITEM 3

FISCAL QUARTER ENDING	85% OF EBITDA	EBITDA LESS \$7,500,000
September 30, 2001	\$20,668,000	\$16,815,000
December 31, 2001	\$37,435,000	\$36,541,000

(1) This is a positive number.

ITEM 4

FISCAL QUARTER ENDING	CUMULATIVE CAPITAL EXPENDITURES PLUS \$25,000,000
March 31, 2000	742,645,000
June 30, 2000	825,986,000
September 30, 2000	895,254,000
December 31, 2000	935,558,000
March 31, 2001	963,623,000
June 30, 2001	992,069,000
September 30, 2001	1,031,824,000
December 31, 2001	1,060,558,000

ITEM 5

FISCAL QUARTER ENDING	75% OF MINIMUM ACCESS LINES
March 31, 2000	106,672

June 30, 2000	137,394
September 30, 2000	168,485
December 31, 2000	203,380
March 31, 2001	246,606
June 30, 2001	296,940
September 30, 2001	349,859
December 31, 2001	403,132

ANNEX C

REVOLVING LOAN COMMITMENT REDUCTIONS

PAYMENT DATE	COMMITMENT REDUCTION
April 1, 2003	5.00%
July 1, 2003	3.75%
October 1, 2003	3.75%
January 1, 2004	3.75%
April 1, 2004	3.75%
July 1, 2004	6.25%
October 1, 2004	6.25%
January 1, 2005	6.25%
April 1, 2005	6.25%
July 1, 2005	6.25%
October 1, 2005	6.25%
January 1, 2006	6.25%
April 1, 2006	6.25%
July 1, 2006	7.50%
October 1, 2006	7.50%
January 1, 2007	7.50%
April 1, 2007	7.50%

TERM A LOAN REDUCTIONS

PAYMENT DATE	Percentage of Outstanding Principal Balance of Term A Loans TO BE REPAYED
April 1, 2002	0.25%
July 1, 2002	0.25%
October 1, 2002	0.25%
January 1, 2003	0.25%
April 1, 2003	0.25%
July 1, 2003	0.25%
October 1, 2003	0.25%
January 1, 2004	0.25%
April 1, 2004	0.25%

July 1, 2004	0.25%
October 1, 2004	0.25%
January 1, 2005	0.25%
April 1, 2005	0.25%
July 1, 2005	0.25%
October 1, 2005	0.25%
January 1, 2006	0.25%
April 1, 2006	0.25%
July 1, 2006	0.25%
October 1, 2006	0.25%
January 1, 2007	0.25%
April 1, 2007	47.50%
July 1, 2007	47.50%

TERM B LOAN REDUCTIONS

PAYMENT DATE	Percentage of Outstanding Principal Balance of Term B Loans TO BE REPAID
--------------	--

July 1, 2003	5.00%
October 1, 2003	3.75%
January 1, 2004	3.75%
April 1, 2004	3.75%
July 1, 2004	3.75%
October 1, 2004	6.25%
January 1, 2005	6.25%
April 1, 2005	6.25%
July 1, 2005	6.25%
October 1, 2005	6.25%
January 1, 2006	6.25%
April 1, 2006	6.25%
July 1, 2006	6.25%
October 1, 2006	7.50%
January 1, 2007	7.50%
April 1, 2007	7.50%
July 1, 2007	7.50%

SCHEDULE 1.01(A)

APPLICABLE MARGIN FOR REVOLVING LOANS

	Applicable Margin for Base Rate Loans	Applicable Margin for LIBOR Loans
Total Leverage Ratio > 12.0x or EBITDA negative	3.00%	4.00%
The Total Leverage Ratio > = 10.0x and < 12.0x	2.75%	3.75%
The Total Leverage Ratio > = 8.0x and < 10.0x	2.50%	3.50%
The Total Leverage Ratio > = 6.0x and < 8.0x	2.25%	3.25%
The Total Leverage Ratio < 6.0x	2.00%	3.00%

APPLICABLE MARGIN FOR TERM A LOANS

	Applicable Margin for Base Rate Loans	Applicable Margin for LIBOR Loans
The Total Leverage Ratio > = 12.0x or EBITDA negative	3.25%	4.25%
The Total Leverage Ratio > = 10.0x and < 12.0x	3.00%	4.00%
The Total Leverage Ratio > = 8.0x and < 10.0x	2.75%	3.75%
The Total Leverage Ratio > = 6.0x and < 8.0x	2.50%	3.50%
The Total Leverage Ratio < 6.0x	2.25%	3.25%

APPLICABLE MARGIN FOR TERM B LOANS

	Applicable Base Rate Margin	Applicable LIBOR Margin
The Consolidated Leverage Ratio > 12.0x or EBITDA negative	3.25%	4.25%
The Consolidated Leverage Ratio > 10.0x and < 12.0x	3.00%	4.00%
The Consolidated Leverage Ratio > 8.0x and < 10.0x	2.75%	3.75%
The Consolidated Leverage Ratio > 6.0x and < 8.0x	2.50%	3.50%
The Consolidated Leverage Ratio < 6.0x	2.25%	3.25%